Senate Engrossed

FILED JANICE K. BREWER SECRETARY OF STATE

State of Arizona Senate Forty-seventh Legislature Second Regular Session 2006

CHAPTER 163

SENATE BILL 1292

AN ACT

AMENDING SECTIONS 34-102 AND 34-603, ARIZONA REVISED STATUTES; RELATING TO CONSTRUCTION SERVICES.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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. 44 Be it enacted by the Legislature of the State of Arizona: Section 1. Section 34-102, Arizona Revised Statutes, is amended to read:

34-102. Multiple contracts

- A. For professional services that are provided by a technical registrant, an agent may procure and award multiple contracts from a single solicitation under section 34-103 or 34-603, as applicable, except that professional services that are part of design-build construction services may not be procured under this subsection. Each of the multiple contracts for professional services must have a term not exceeding five years and may continue in effect after the five year term for professional services on projects commenced within the five year term.
- B. In a solicitation for multiple contracts for professional services by technical registrants:
- 1. Any publication shall include the fact that multiple contracts may or will be awarded, shall state the number of contracts that may or will be awarded and shall describe the services to be performed under each contract. If the solicitation is under section 34-603, subsection C, the request for qualifications shall also contain this information.
- 2. There shall be a single selection process for all of the multiple contracts, except that if the solicitation is under section 34-103, subsections E and F or under section 34-603, subsection C there shall be a separate final list for each contract and a separate contract negotiation for each contract. However, if the solicitation specifies that all of the multiple contracts will be awarded to a single contractor, there may be a single final list and a single negotiation for all of the multiple contracts.
- 3. The agent may award all of the multiple contracts to one contractor or may award the multiple contracts to multiple contractors.
- C. Except for CONSTRUCTION-MANAGER-AT-RISK CONSTRUCTION SERVICES FOR HORIZONTAL CONSTRUCTION AND DESIGN-BUILD CONSTRUCTION SERVICES FOR horizontal construction, multiple contracts for construction-manager-at-risk construction services, design-build construction services or job-order-contracting construction services may be procured in a single solicitation as provided in section 34-603, subsection C.
 - Sec. 2. Section 34-603, Arizona Revised Statutes, is amended to read: 34-603. Procurement of professional services and construction-manager-at-risk, design-build and job-order-contracting construction services: definition
- A. Except for services an agent procures pursuant to section 34-103 or 34-604, an agent shall procure the following services pursuant to this section:
- 1. Architect services.
 - 2. Construction-manager-at-risk construction services.
 - 3. Design-build construction services.

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- 4. Engineer services.
- 5. Job-order-contracting construction services.
- 6. Landscape architect services.
- 7. Assayer services.
- 8. Geologist services.
- 9. Land surveying services.
- B. An agent shall provide notice of each procurement of professional services or construction services specified in this section and shall award contracts on the basis of demonstrated competence and qualifications for the type of professional services or construction services pursuant to the procedures prescribed in this section.
- C. In the procurement of professional services or construction services pursuant to this section:
- 1. An agent shall issue a request for qualifications for each contract and publish notice of the request for qualifications. This notice shall be published by advertising in a newspaper of general circulation in the county in which the agent is located for two consecutive publications if it is a weekly newspaper or for two publications that are at least six but no more than ten days apart if it is a daily newspaper. The request for qualifications shall:
- (a) Include the number of persons or firms to be included on the final list. In a request for qualifications for a horizontal construction project, at least three but not more than five persons or firms shall be on the final list. In all other requests for qualifications, three persons or firms shall be on the final list.
- (b) State the criteria to be used by the selection committee to select the person or firm to perform the professional services or the construction services. The request for qualifications shall also state in a manner determined by the agent the relative weight of the selection criteria and, if required under paragraph 7, subdivision (b) of this subsection, that one of the criteria will be the person's or firm's subcontractor selection plan or procedures to implement the agent's subcontractor selection plan.
- (c) If the agent will hold interviews as part of the selection process, state that interviews shall be held with at least three and no more than five persons or firms, except that if multiple contracts are being procured under a single request for qualifications solicitation under this subsection or a single request for qualifications and request for proposals solicitation under this subsection and subsection F of this section, the number to be interviewed shall be at least three and not more than the number of contracts plus two.
- 2. An agent shall initiate an appropriately qualified selection committee for each request for qualifications. If the agent is procuring professional services, the agent shall determine the number and qualifications of the selection committee members. A selection committee for the procurement of construction services shall not have more than seven

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members, except that, if the contract involves the agent and additional governmental or private participants, the number of members of the selection committee shall be increased by one for each additional participant, except that the maximum number of members of the selection committee is nine. The selection committee for construction services shall include at least one person who is a senior management employee of a licensed contractor and one person who is an architect or an engineer who is registered pursuant to These members may be employees of the agent or outside section 32-121. Outside contractors, architects and engineers serving on a consultants. selection committee shall not receive compensation from the agent for performing this service, but the agent may elect to reimburse outside contractors, architects and engineers for travel, lodging and other expenses incurred in connection with service on a selection committee. A person who is a member of a selection committee shall not be a contractor under a contract awarded under the procurement or provide construction, construction services, materials or services under the contract. The selection committee shall:

- (a) Evaluate the statements of qualifications and performance data that are submitted in response to the agent's request for qualifications.
- (b) If determined by the agent and included by the agent in the request for qualifications, conduct interviews with the number of persons or firms to be interviewed as stated in the request for qualifications regarding the professional services or construction services and the relative methods of approach for furnishing the required professional services or construction services.
- (c) After any interviews, in order of preference, based on the criteria and the weighting of criteria included in the request for qualifications, select a final list for each contract of persons or firms the selection committee deems to be the most qualified to provide the professional services or construction services and, in the case of a contract that will be negotiated under subsection E of this section, rank the persons or firms on the final list in order of preference. The selection committee shall base the selection of the final list and the order of preference on demonstrated competence and qualifications only. If the request for qualifications solicited multiple contracts, the selection committee shall select a separate final list for each contract, except that if multiple contracts are being procured and if the request for qualifications specified that all of the multiple contracts will be awarded to a single contractor, the selection committee may select a single final list for all of the multiple contracts. The number of persons or firms on the final list shall be the number of persons or firms specified in the request for qualifications, except that:
- (i) If a smaller number of responsive and responsible persons or firms respond to the solicitation, the agent may elect to have the selection committee proceed with the selection process, including interviews and the

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final list, with the remaining persons or firms if at least two persons or firms remain or the agent may readvertise pursuant to this subsection as the agent deems necessary or appropriate.

- (ii) If only one responsive and responsible person or firm responds to a solicitation for a contract or multiple contracts to be negotiated pursuant to subsection E of this section, the agent may elect to proceed with only one person or firm in the selection process and may award the contract or contracts to a single person or firm if the agent determines in writing that the fee negotiated pursuant to subsection E of this section is fair and reasonable and that either other prospective persons or firms had reasonable opportunity to respond or there is not adequate time for a resolicitation.
- (iii) If a person or firm on the final list withdraws or is removed from the selection process and the selection committee determines that it is in the best interest of the agent, the selection committee may replace that person or firm with another person or firm that submitted qualifications and that is selected by the selection committee as the next most qualified.
- (d) Base the selection of the final list and order of preference on the final list on demonstrated competence and qualifications only.
- 3. Except for CONSTRUCTION-MANAGER-AT-RISK CONSTRUCTION SERVICES FOR HORIZONTAL CONSTRUCTION AND DESIGN-BUILD construction services for horizontal construction, an agent may procure multiple contracts for professional services, construction-manager-at-risk construction services, design-build construction services or job-order-contracting construction services under a single request for qualifications solicitation under this subsection or, for job-order-contracting construction services or design-build construction services, under a single request for qualifications and request for proposals solicitation under this subsection and subsection F of this section. if an agent does this:
- (a) The advertisement and the request for qualifications shall state that multiple contracts may or will be awarded, shall state the number of contracts that may or will be awarded and shall describe the services to be performed under each contract.
- (b) There shall be a single selection process for all of the multiple contracts, except that for each contract there shall be a separate final list and a separate negotiation under subsection E of this section or a separate request for proposals competition under subsection F of this section. However, if the request for qualifications specifies that all of the multiple contracts will be awarded to a single contractor, there may be a single final list and a single negotiation for all of the multiple contracts under subsection E of this section or a single request for proposals competition under subsection F of this section.
- (c) The agent may award all of the multiple contracts to one contractor or may award the multiple contracts to multiple contractors.
- 4. For professional services, an agent may procure multiple contracts using a single request for qualifications solicitation under this subsection,

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 except that professional services that are part of design-build construction services may not be procured under this paragraph. Each of the multiple contracts for professional services must have a term not exceeding five years and may continue in effect after the five year term for professional services on projects commenced within the five year term.

- 5. Except for horizontal construction, An agent may procure multiple contracts for job-order-contracting construction services using a single request for qualifications solicitation under this subsection or using a single request for qualifications and request for proposals solicitation under this subsection and subsection F of this section.
- 6. Except for horizontal construction, an agent may procure multiple contracts for construction-manager-at-risk construction services or for design-build construction services using a single request for qualifications solicitation under this subsection or for design-build construction services using a single request for qualifications and request for proposals solicitation under this subsection and subsection F of this section but in either case only for a specific single project. Portions of the specific single project shall be allocated to separate contracts.
- 7. For construction-manager-at-risk construction services, design-build construction services and job-order-contracting construction services if the contract will be negotiated under subsection E of this section or for job-order-contracting construction services if the contract will be awarded pursuant to subsection F of this section:
- (a) The person or firm selected to perform the construction services must select subcontractors based on qualifications alone or on a combination of qualifications and price and shall not select subcontractors based on price alone. A qualifications and price selection may be a single step selection based on a combination of qualifications and price or a two step selection. In a two step selection, the first step shall be based on qualifications alone and the second step may be based on a combination of qualifications and price or on price alone.
 - (b) The agent shall include in the request for qualifications either:
- (i) A requirement that each person or firm submit a proposed subcontractor selection plan, a requirement that the proposed subcontractor selection plan must select subcontractors based on qualifications alone or on a combination of qualifications and price and shall not select subcontractors based on price alone and, as a selection criteria under the request for qualifications, an evaluation of each person's or firm's proposed subcontractor selection plan.
- (ii) A subcontractor selection plan adopted by the agent that will apply to the person or firm that is selected to perform the construction services and that requires subcontractors to be selected based on qualifications alone or on a combination of qualifications and price and not based on price alone, a requirement that each person or firm must submit a description of the procedures it proposes to use to carry out the agent's

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subcontractor selection plan and, as a selection criteria under the request for qualifications, an evaluation of each person's or firm's proposed procedures to carry out the agent's subcontractor selection plan.

- (c) The agent shall include in its contract with the selected person or firm either:
- (i) If the agent included its subcontractor selection plan in the request for qualifications, the agent's subcontractor selection plan and the procedures proposed by the selected person or firm in submitting its qualifications with those modifications to the procedures as the agent and the selected person or firm agree.
- (ii) If the agent did not include its subcontractor selection plan in the request for qualifications, the subcontractor selection plan proposed by the selected person or firm in submitting its qualifications with those modifications as the agent and the selected person or firm agree.
- (d) In making the selection of subcontractors, the person or firm selected to perform the construction services shall use the subcontractor selection plan and any procedures included in its contract.
- 8. The agent and the selection committee shall not request or consider fees, price, man-hours or any other cost information at any point in the selection process under this subsection or subsection D of this section, including the selection of the persons or firms to be interviewed, the selection of the persons or firms to be on the final list, in determining the order of preference of persons or firms on the final list or for any other purpose in the selection process.
- 9. For construction-manager-at-risk construction services and design-build construction services, the contract or contracts under a single request for qualifications solicitation or for design-build construction services a single request for qualifications and request for proposals solicitation shall be limited to a specific single project.
- D. An agent shall award a contract for professional services or for construction services to one of the persons or firms on the final list for that contract prepared pursuant to subsection C of this section as provided in subsection E or F of this section, except that, if fewer than the number of persons or firms on the final list respond to the request for proposals pursuant to subsection F of this section but at least two persons or firms on the final list submit responsive proposals or if one or more of the persons or firms on the final list drop out of the selection process pursuant to subsection E or F of this section:
- 1. If there are three or more remaining persons or firms, the agent shall proceed with the selection process.
- 2. If there are only two remaining persons or firms, as the agent deems necessary and appropriate, the agent may elect to proceed with the selection process with the two persons or firms or may elect to terminate the selection process and may elect to readvertise pursuant to subsection C of this section.

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- 3. If there is only one remaining person or firm, the agent may award the contract to a single person or firm if the agent determines in writing that the fee negotiated pursuant to subsection E of this section is fair and reasonable and that either other prospective persons or firms had reasonable opportunity to respond or there is not adequate time for a resolicitation.
- E. For each contract included in the request for qualifications, the agent shall enter into separate negotiations for the contract with the highest qualified person or firm on the final list for that contract determined pursuant to subsection C of this section for the professional However, if the request for services or for the construction services. qualifications is for multiple contracts and specifies that all of the multiple contracts will be awarded to a single contractor, there may be a single negotiation for all of the multiple contracts. The negotiations shall include consideration of compensation and other contract terms that the agent determines to be fair and reasonable to the agent. In making this decision, the agent shall take into account the estimated value, the scope, the complexity and the nature of the professional services or construction If the agent is not able to negotiate a services to be rendered. satisfactory contract with the highest qualified person or firm on the final list, at compensation and on other contract terms the agent determines to be fair and reasonable, the agent shall formally terminate negotiations with that person or firm. The agent may undertake negotiations with the next most qualified person or firm on the final list in sequence until an agreement is reached or a determination is made to reject all persons or firms on the final list. If a contract for construction services is entered into pursuant to this subsection:
- 1. If the contract is for construction-manager-at-risk construction services and includes preconstruction services by the contractor or if the contract is for design-build construction services, the agent shall enter into a written contract with the contractor for preconstruction services under which contract the agent shall pay the contractor a fee for preconstruction services in an amount agreed by the agent and the contractor, and the agent shall not request or obtain a fixed price or a guaranteed maximum price for the construction from the contractor or enter into a construction contract with the contractor until after the agent has entered into the written contract for preconstruction services and a preconstruction services fee.
- 2. Construction shall not commence until the agent and contractor agree in writing on either a fixed price that the agent will pay for the construction to be commenced or a guaranteed maximum price for the construction to be commenced.
- F. As an alternative to subsection E of this section, an agent may award design-build construction services or job-order-contracting construction services as follows:

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- 1. The agent shall use the selection committee appointed for the request for qualifications pursuant to subsection C of this section.
- 2. The agent shall issue a request for proposals to the persons or firms on the final list developed pursuant to subsection C of this section.
- 3. For design-build construction services and job-order-contracting construction services, the request for proposals shall include:
- (a) The agent's project schedule and project final design and construction budget or life cycle budget for a procurement that includes maintenance services or operations services.
- (b) A statement that the contract or contracts will be awarded to the offeror whose proposal receives the highest number of points under a scoring method.
- (c) A description of the scoring method, including a list of the factors in the scoring method and the number of points allocated to each factor. The factors in the scoring method shall include:
- (i) For design-build construction services only, demonstrated compliance with the design requirements.
 - (ii) Offeror qualifications.
 - (iii) Offeror financial capacity.
 - (iv) Compliance with the agent's project schedule.
- (v) For design-build construction services only, if the request for proposals specifies that the agent will spend its project budget and not more than its project budget and is seeking the best proposal for the project budget, compliance of the offeror's price or life cycle price for procurements that include maintenance services, operations services or finance services with the agent's budget as prescribed in the request for proposals.
- (vi) For design-build construction services if the request for proposals does not contain the specifications prescribed in item (v) and for job-order-contracting construction services, the price or life cycle price for procurements that include maintenance services, operations services or finance services.
 - (vii) An offeror quality management plan.
 - (viii) Other evaluation factors as determined by the agent, if any.
- (d) For design-build construction services only, the design requirements.
- (e) A requirement that each offeror submit separately a technical proposal and a price proposal and that the offeror's entire proposal be responsive to the requirements in the request for proposals. For design-build construction services, the price in the price proposal shall be a fixed price or a guaranteed maximum price.
- (f) A statement that in applying the scoring method the selection committee will separately evaluate the technical proposal and the price proposal and will evaluate and score the technical proposal before opening the price proposal.

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- (g) If the agent conducts discussions pursuant to paragraph 5 of this subsection, a statement that discussions will be held and a requirement that each offeror submit a preliminary technical proposal before the discussions are held.
- 4. If the agent determines to conduct discussions pursuant to paragraph 5 of this subsection, each offeror shall submit a preliminary technical proposal to the agent before those discussions are held.
- 5. If determined by the agent and included by the agent in the request for proposals, the selection committee shall conduct discussions with all persons or firms that submit preliminary technical proposals. Discussions shall be for the purpose of clarification to assure full understanding of, and responsiveness to, the solicitation requirements. Offerors shall be accorded fair treatment with respect to any opportunity for discussion and for clarification by the owner. Revision of preliminary technical proposals shall be permitted after submission of preliminary technical proposals and before award for the purpose of obtaining best and final proposals. In conducting any discussions, information derived from proposals submitted by competing offerors shall not be disclosed to other competing offerors.
- 6. After completion of any discussions pursuant to paragraph 5 of this subsection or if no discussions are held, each offeror shall submit separately the offeror's final technical proposal and its price proposal.
- 7. Before opening any price proposal, the selection committee shall open the final technical proposals, evaluate the final technical proposals and score the final technical proposals using the scoring method in the request for proposals. No other factors or criteria may be used in the evaluation and scoring.
- 8. After completion of the evaluation and scoring of all final technical proposals, the selection committee shall open the price proposals, evaluate the price proposals, score the price proposals and complete the scoring of the entire proposals using the scoring method in the request for proposals. No other factors or criteria may be used in the evaluation and scoring.
- 9. The agent shall award the contract or contracts to the responsive and responsible offeror whose proposal receives the highest score under the method of scoring in the request for proposals. No other factors or criteria may be used in the evaluation.
- 10. The contract or contracts file shall contain the basis on which the award is made.
- a stipulated fee equal to a percentage, as prescribed in the request for proposals, of the agent's project final design and construction budget, as prescribed in the request for proposals, but not less than two-tenths of one per cent of the project final design and construction budget to each final list offeror who provides a responsive, but unsuccessful, proposal. If the agent does not award a contract, all responsive final list offerors shall

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receive the stipulated fee based on the owner's estimate of the project final design and construction budget as included in the request for proposals. The agent shall pay the stipulated fee to each offeror within ninety days after the award of the initial contract or the decision not to award a contract. In consideration for paying the stipulated fee, the agent may use any ideas or information contained in the proposals in connection with any contract awarded for the project, or in connection with a subsequent procurement, without any obligation to pay any additional compensation to the unsuccessful Notwithstanding the other provisions of this paragraph, an unsuccessful final list offeror may elect to waive the stipulated fee. If an unsuccessful final list offeror elects to waive the stipulated fee, the agent may not use ideas and information contained in the offeror's proposal, except that this restriction does not prevent the agent from using any idea or information if the idea or information is also included in a proposal of an offeror that accepts the stipulated fee.

- G. Until an award and execution of a contract by an agent, only the name of each person or firm on the final list developed pursuant to subsection C of this section may be made available to the public. All other information received by the agent in response to the request for qualifications or contained in the proposals shall be confidential in order to avoid disclosure of the contents that may be prejudicial to competing offerors during the selection process. The proposals shall be open to public inspection after the contract is awarded and the agent has executed the contract. To the extent that the offeror designates and the agent concurs, trade secrets and other proprietary data contained in a proposal remain confidential.
- An agent may cancel a request for qualifications or a request for proposals or reject in whole or in part any or all proposals as specified in the solicitation if it is in the best interest of the agent. The agent shall make the reasons for cancellation or rejection part of the contract file.
 - Notwithstanding any other law:
- contractor for design-build or job-order-contracting construction services is not required to be registered to perform design services pursuant to title 32, chapter 1 if the person or firm actually performing the design services on behalf of the contractor is appropriately registered.
- 2. The contractor for construction-manager-at-risk, design-build or job-order-contracting construction services shall be licensed to perform construction pursuant to title 32, chapter 10.
- For each project for horizontal construction under a design-build or construction-manager-at-risk construction services contract, the licensed contractor performing the contract shall perform, with the contractor's own organization, construction work that amounts to not less than forty-five per 44 cent of the total contract price for construction. For the purposes of this paragraph, the total contract price for construction does not include the

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cost of preconstruction services, design services or any other related services or the cost to procure any right-of-way or other cost of condemnation.

- 4. There shall be a separate request for qualifications under subsection C of this section for each contract for horizontal construction construction-manager-at-risk construction services. OR HORIZONTAL CONSTRUCTION design-build construction services or job-order-contracting construction services.
 - J. For job-order-contracting construction services only:
- 1. The maximum dollar amount of an individual job order shall be one million dollars or such higher or lower amount prescribed by the agent in an action noticed pursuant to title 38, chapter 3, article 3.1 or a rule adopted by the agent as the maximum amount of an individual job order. Requirements shall not be artificially divided or fragmented in order to constitute a job order that satisfies this requirement.
- 2. If the contractor subcontracts or intends to subcontract part or all of the work under a job order and if the job order construction services contract includes descriptions of standard individual tasks, standard unit prices for standard individual tasks and pricing of job orders based on the number of units of standard individual tasks in the job order:
- (a) The contractor has a duty to deliver promptly to each subcontractor invited to bid a coefficient to the contractor to do all or part of the work under one or more job orders:
- (i) A copy of the descriptions of all standard individual tasks on which the subcontractor is invited to bid.
- (ii) A copy of the standard unit prices for the individual tasks on which the subcontractor is invited to bid.
- (b) If not previously delivered to the subcontractor, the contractor has a duty to deliver promptly the following to each subcontractor invited to or that has agreed to do any of the work included in any job order:
- (i) A copy of the description of each standard individual task that is included in the job order and that the subcontractor is invited to perform.
- (ii) The number of units of each standard individual task that is included in the job order and that the subcontractor is invited to perform.
- (iii) The standard unit price for each standard individual task that is included in the job order and that the subcontractor is invited to perform.
- Κ. Notwithstanding anything to the contrary in this chapter, an agent procure any horizontal construction using shall not construction-manager-at-risk, design-build or job-order-contracting method of project delivery after June 30, 2010. For purposes of this paragraph, an agent procures horizontal construction when the contract for the construction services is executed by the agent and the contractor construction-manager-at-risk, design-build or job-order-contracting construction services. If a contract is executed for construction services

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on or before June 30, 2010, construction services under the contract may be rendered in whole or in part after June 30, 2010.

- L. Notwithstanding anything to the contrary in this section or this title, an agent shall not:
- 1. Enter into a contract as contractor to provide construction-manager-at-risk construction services, design-build construction services or job-order-contracting construction services.
- 2. Contract with itself, with another agent, with this state or with any other governmental unit of this state or the federal government for the agent to provide construction-manager-at-risk construction services, design-build construction services or job-order-contracting construction services.
- M. The prohibitions prescribed in subsection L of this section do not prohibit an agent from providing construction for itself as provided by law.
- O. N. The agent shall include in each contract for construction services the full street or physical address of each separate location at which the construction will be performed and a requirement that the contractor and each subcontractor at any level include in each of its subcontracts the same address information. The contractor and each subcontractor at any level shall include in each subcontract the full street or physical address of each separate location at which construction work will be performed.
- N. O. For the purposes of this section, "professional services" includes architect services, engineer services, landscape architect services, assayer services, geologist services and land surveying services and any combination of those services.

APPROVED BY THE GOVERNOR APRIL 17, 2006.

FILED IN THE OFFICE OF THE SECRETARY OF STATE APRIL 17, 2006.